

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):  
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO CERTAIN  
APPAREL OF COTTON CORDUROY FABRICS FROM SUB-SAHARAN  
AFRICAN, CARIBBEAN BASIN, AND ANDEAN COUNTRIES**

Investigation No. 332-458-006

April 2004



# Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

## U.S. International Trade Commission Investigation No. 332-458-006

Products	Certain apparel of cotton corduroy fabrics
Requesting Parties	S. Schwab Company Inc., Cumberland, MD
Date of Commission Report: USTR Public	April 16, 2004 April 2004
Commission Contact	Vincent DeSapio (202-205-3435; vincent.desapio@usitc.gov)

### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON APRIL 16, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (\*\*\*)

### Summary of Findings

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible sub-Saharan African, Caribbean Basin, and Andean countries from certain cotton corduroy fabrics, regardless of the source of such fabrics, would likely have no immediate adverse effect on U.S. producers of corduroy fabrics and their workers.<sup>1</sup> At least one U.S. producer of corduroy fabrics asserts that it makes or can make the corduroy fabric named in the petition. According to this U.S. corduroy fabric producer, the volume of fabric sought by the petitioner is small compared with its total U.S. corduroy production. The proposed preferential treatment would likely have a negligible adverse effect on U.S. producers of the apparel and their workers, but would likely benefit U.S. and other firms making the apparel in eligible countries and their U.S.-based workers, as well as U.S. consumers.

### Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004.<sup>2</sup> Petitions are filed with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).

<sup>1</sup> In May 2003, in its review of a petition on corduroy fabrics filed in 2003, the Committee for the Implementation of Textile Agreements (CITA) determined that the fabrics covered by the petition "can be supplied by the domestic industry in commercial quantities in a timely manner" and, thus, denied the request (see CITA notice published in the *Federal Register* of May 22, 2003 (68 F.R. 27992)).

<sup>2</sup> For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of February 9, 2004 (69 F.R. 6003) and the Commission's website at [www.usitc.gov/332s/shortsup/shortsupintro.htm](http://www.usitc.gov/332s/shortsup/shortsupintro.htm).

The Commission's advice in this report concerns a petition received by CITA on March 5, 2004, alleging that certain corduroy fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for apparel made in eligible AGOA, CBTPA, and Andean countries from such fabrics, regardless of the source of the fabrics. Within 60 days after a request is received from an interested party, the President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth (1) the action proposed to be implemented, (2) the reasons for such action, and (3) the advice obtained from the Commission and the appropriate advisory committee.<sup>3</sup>

### **Discussion of the product**

According to the petition, the corduroy fabrics are classified under subheading 5801.22.90 of the Harmonized Tariff Schedule of the United States (HTS), which provides for cut corduroy cotton fabrics containing 7.5 wales per centimeter or fewer.<sup>4</sup> Apparel made from such fabrics, such as pants, jackets, coats, and skirts, are classified in HTS chapter 62 (apparel, not knitted or crocheted) and are subject to 2004 general rates of duty ranging from 8.2 percent to 16.6 percent ad valorem.

The petition states that the subject corduroy is wholly of cotton, contains 10 wales per inch (4 wales per centimeter), and has smooth round-cut wales. It states that the firm plans to use the fabrics in girls' apparel, such as pants, jackets, and skirts. The petition states that the apparel will be sold under a high-end, brand name and that the quality and cut of the fabric wale is the determining factor in making the garments. The petition notes that the customer requires a smooth round-cut (as opposed to a flat-cut) corduroy for its girls' apparel so as "to portray a very soft, feminine, luxurious, lush, velvety, appearance." According to the petition, \*\*\*. The petitioner stated that \*\*\*.

The petitioner, S. Schwab Co., Cumberland, MD, designs, manufactures, and distributes children's wear and is "best known for its highly successful brand 'Little Me'" line of children's wear that is marketed in better specialty and department stores.<sup>5</sup> The firm is the sole licensee for Ralph Lauren Childrenswear. The petitioner operates globally with offices in New York, Dallas, and Los Angeles as well as offices in Hong Kong, Mexico, and Colombia that oversee production in more than 22 countries, including India, Thailand, the Philippines, Singapore, Taiwan, Colombia, and Costa Rica.

### **Discussion of affected U.S. industries, workers, and consumers**

The only known U.S. producers of cotton corduroy are Galey & Lord, New York, NY, and Greenwood Mills, Greenwood, SC.<sup>6</sup> Galey & Lord states that it is the only remaining vertical U.S. producer of corduroy and that it produces (weaves), dyes, and finishes the fabrics in its facilities in the United States. Greenwood Mills weaves corduroy fabrics in the United States, but sells them in a greige, or unfinished, state.

Galey & Lord stated that it produces more than 10 million yards of corduroy annually and employs 158 workers in its corduroy operations. The firm weaves the fabrics in its mill in McDowell County, NC, and dyes and finishes them in its plant in Society Hill, SC. The firm stated that it currently weaves a 10-wale

---

<sup>3</sup> In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

<sup>4</sup> Cotton corduroy fabrics with more than 7.5 wales per centimeter, classifiable in HTS subheading 5801.22.10, were designated as "not available in commercial quantities" under the North American Free Trade Agreement (NAFTA) at the time of NAFTA's implementation in 1994. Goods so designated for NAFTA purposes were considered to qualify automatically under the corresponding statutory provisions in the AGOA, CBTPA, and ATPDEA. Because of that designation, the United States grants duty-free and quota-free treatment to apparel made in eligible NAFTA, AGOA, CBTPA, and ATPDEA countries from cotton corduroy fabrics with more than 7.5 wales per centimeter, regardless of the source of such fabrics.

<sup>5</sup> Information in this paragraph is entirely from the website of S. Schwab Co. at [www.sschwab.com](http://www.sschwab.com), retrieved Apr. 5, 2004.

<sup>6</sup> \*\*\*, telephone interviews by Commission staff, Mar. 16 and 18, 2004.

corduroy fabric in a blend of 88 percent cotton and 12 percent polyester, which it asserts is similar to the subject 100-percent cotton corduroy fabrics and, thus, it sees no difficulty in producing the subject fabrics in the volumes requested by the petitioner.<sup>7</sup> \*\*\* According to Galey & Lord, the production of a 100-percent cotton fabric instead of an 88-percent cotton/12-percent polyester blend “is easy to accomplish by substituting one of the yarns in the weaving process from cotton/poly to an all-cotton yarn.”<sup>8</sup> Galey & Lord stated that, although it offered the petitioner “exactly the \*\*\* fabric requested,” the petitioner informed Galey & Lord that the fabric is being sourced offshore.<sup>9</sup> \*\*\*<sup>10</sup> The petitioner stated that \*\*\*.<sup>11</sup>

Greenwood Mills stated that it produces and sells greige corduroy fabrics, including those having 10 wales per inch, \*\*\*<sup>12</sup>\*\*\*.

Commission staff contacted three New York-based firms that market corduroy fabrics--Majestic Mills, Inc.; Velcorex Inc.; and Kaltex America. Majestic Mills purchases greige fabrics and arranges for the dyeing and finishing of the fabrics to customer specifications. The firm reported that \*\*\*.<sup>13</sup> Velcorex, a part of French-based SAIC Velcorex, dyes and finishes imported corduroy fabrics in its plant in Orangeburg, SC.<sup>14</sup> The firm stated that \*\*\*. Kaltex America, representing Grupo Kaltex of Mexico, reported that \*\*\*<sup>15</sup>\*\*\*.<sup>16</sup>

Regarding corduroy apparel, Galey & Lord informed Commission staff that \*\*\* stated that Galey & Lord is the only U.S. producer of 10-wale corduroy fabric, that the price of the fabric made in Asia is lower than the price of the domestic fabric, that Asian suppliers usually require smaller minimum orders than does the U.S. firm, and that the domestic and Asian corduroy fabrics compare favorably in quality and other properties.<sup>17</sup>

### Views of interested parties

The only written statement received by the Commission was from Galey & Lord, which stated its opposition to the proposed preferential treatment (also see earlier discussion of the firm for further information on its views).<sup>18</sup> The firm stated that it produces large quantities of corduroy, including the subject fabrics, and is prepared “to produce the fabrics requested by the petitioner in commercial quantities in a timely manner.” The firm stated that it produced nearly 140,000 square yards of 10-wale corduroy fabric in an 88-percent cotton/12-percent polyester blend in 2003. The firm noted that the “round cut” of fabric desired by the petitioner can be achieved by brushing the corduroy pile and applying softening chemicals during the finishing process, causing the pile to “bloom” (spread out) and form a more rounded pile. According to Galey & Lord, although the volume of fabric sought by the petitioner is small compared with Galey & Lord’s total corduroy production, the proposed preferential treatment would have a negative impact on its operations, financial performance, and workforce because it might encourage other

---

<sup>7</sup> Robert J. McCormack, President, Galey & Lord, telephone interview by Commission staff, Mar. 23, 2004.

<sup>8</sup> Robert J. McCormack, President, Galey & Lord, written submission to the Commission, Mar. 26, 2004.

<sup>9</sup> Ibid.

<sup>10</sup> \*\*\*

<sup>11</sup> \*\*\*, telephone interview by Commission staff, Apr. 12, 2004.

<sup>12</sup> Information in the paragraph was obtained in telephone interviews by Commission staff with \*\*\*, Mar. 19, 2004, and Jay Self, Chief Operating Officer, Greenwood Mills, Apr. 5, 2004.

<sup>13</sup> \*\*\*, telephone interview by Commission staff, Mar. 19, 2004.

<sup>14</sup> Information on Velcorex is from its website [www.saicvelcorex.com](http://www.saicvelcorex.com), retrieved Apr. 5, 2004, and from \*\*\*, telephone interview by Commission staff, Mar. 19, 2004.

<sup>15</sup> Information on Kaltex America is from \*\*\*, telephone interview by Commission staff, Mar. 22, 2004.

<sup>16</sup> The petition did not state the volume of the subject fabric required by the petitioner; however, Galey & Lord stated that the volume of fabric sought by the petitioner is small compared with Galey & Lord’s total corduroy production. See Robert J. McCormack, President, Galey & Lord, written submission to the Commission, Mar. 26, 2004.

<sup>17</sup> \*\*\*, telephone interview by Commission staff, Mar. 25, 2004.

<sup>18</sup> Robert J. McCormack, President, Galey & Lord, written submission to the Commission, Mar. 26, 2004.

apparel makers to make similar arguments to obtain preferential treatment in future petitions. Such arguments might be used because corduroy is a fabric that is highly sensitive to fashion trends and designers demand “an ever-changing variety of blends, constructions and finishes.”

**Probable economic effect advice<sup>19</sup>**

The Commission’s analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible sub-Saharan African, Caribbean Basin, and Andean countries from the subject fabric, would have no immediate adverse effect on U.S. producers of corduroy fabrics and their workers.<sup>20</sup> At least one U.S. producer of corduroy fabrics asserts that it makes or can make the corduroy fabric named in the petition. According to this U.S. corduroy fabric producer, the volume of fabric sought by the petitioner is small compared with its total corduroy production. The proposed preferential treatment likely would have a negligible adverse effect on U.S. producers of corduroy apparel, but likely would benefit U.S. and other apparel firms that make the garments in the eligible beneficiary countries through increasing the supply and variety of corduroy fabrics available in the marketplace, particularly lower priced corduroy fabrics. U.S. consumers of apparel made from the subject fabrics likely would benefit from the proposed preferential treatment because importers and retailers are likely to transfer some of the duty savings to consumers through lower priced products in today’s highly competitive market for children’s apparel.

---

<sup>19</sup> The Commission’s advice is based on information currently available to the Commission.

<sup>20</sup> In May 2003, in its review of a petition on corduroy fabrics filed in 2003, the Committee for the Implementation of Textile Agreements (CITA) determined that the fabrics covered by the petition “can be supplied by the domestic industry in commercial quantities in a timely manner” and, thus, denied the request (see CITA notice published in the *Federal Register* of May 22, 2003 (68 F.R. 27992)).